

**AUDITED FINANCIAL STATEMENTS
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

**WESTERN UPPER PENINSULA
PLANNING AND DEVELOPMENT
REGION COMMISSION
HOUGHTON, MICHIGAN**

September 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name WESTERN UPPER PENINSULA PLANNING AND DEVELOPMENT REGION COMMISSION	County HOUGHTON
Fiscal Year End SEPTEMBER 30, 2007	Opinion Date JANUARY 31, 2008	Date Audit Report Submitted to State FEBRUARY 26, 2008	

We affirm that:

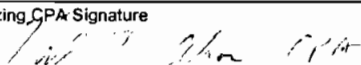
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☐ ☒ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NO SEPARATE LETTER ISSUED	
Other (Describe)	<input type="checkbox"/>	NOT APPLICABLE	
Certified Public Accountant (Firm Name) JOKI, MAKELA & POLLACK, PLLC		Telephone Number 906-932-4430	
Street Address 301 N SUFFOLK STREET		City IRONWOOD	State MI
Zip 49938			
Authorizing CPA Signature 		Printed Name KARL T. AHONEN	License Number 1101025488

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JOKI, MAKELA & POLLACK, P.L.L.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
Western Upper Peninsula Planning and
Development Region Commission
Houghton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Western Upper Peninsula Planning and Development Region Commission, as of and for the year ended September 30, 2007, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Superior Revolving Loan Fund, a component unit of the Commission. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and with the standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Commission has not included management's discussion and analysis and budgetary comparison information which is supplementary information required by accounting principles generally accepted in the United States of America. The effects of this departure on the financial statements has not been determined.

In our opinion, except for the effects of not providing management's discussion and analysis and budgetary comparison information as described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activity and each major fund of Western Upper Peninsula Planning and Development Region Commission as of September 30, 2007, and the changes in financial

position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2008, on our consideration of Western Upper Peninsula Planning and Development Region Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note M, the Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of September 30, 2007.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Upper Peninsula Planning and Development Region Commission's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Joti, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
January 31, 2008

**BASIC
FINANCIAL
STATEMENTS**

STATEMENT OF NET ASSETS
WESTERN UPPER PENINSULA PLANNING
AND DEVELOPMENT REGION COMMISSION

September 30, 2007

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		
ASSETS				
Cash	\$ 31,528		\$ 31,528	\$ 118,789
Investments	71,661		71,661	
Receivables:				
Grants	219,324	\$ 12,124	231,448	
Other	12,308		12,308	
Notes receivable				22,371
Internal balances	5,401	(5,401)		
Prepaid expenses	16,243		16,243	
Capital assets:				
Land, buildings and equipment	178,403		178,403	
Less allowances for depreciation	(32,152)		(32,152)	
Total Assets	<u>\$ 502,716</u>	<u>\$ 6,723</u>	<u>\$ 509,439</u>	<u>\$ 141,160</u>
LIABILITIES				
Accounts payable	\$ 24,447		\$ 24,447	\$ 2,108
Accrued payroll and taxes	12,878	\$ 863	13,741	
Accrued vacation benefits	11,773		11,773	
Deferred revenues	<u>1,521</u>		<u>1,521</u>	
Total Liabilities	<u>\$ 50,619</u>	<u>\$ 863</u>	<u>\$ 51,482</u>	<u>\$ 2,108</u>
NET ASSETS				
Net assets:				
Invested in capital assets	\$ 146,251		\$ 146,251	
Unrestricted (deficit)	305,846	\$ 5,860		\$ (7,257)
Temporarily restricted				<u>146,309</u>
Net Assets	<u>\$ 452,097</u>	<u>\$ 5,860</u>	<u>\$ 457,957</u>	<u>\$ 139,052</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT

WESTERN UPPER PENINSULA PLANNING AND

Year ended

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government			
Governmental activities -			
General government	\$ 580,181		\$ 537,281
Total Governmental Activities	\$ 580,181	\$ 0	\$ 537,281
Business-type activities -			
Technical Assistance	\$ 89,905	\$ 89,905	
Total Business-Type Activities	\$ 89,905	\$ 89,905	
Total Primary Government	\$ 670,086	\$ 89,905	\$ 537,281
Component Unit	\$ 4,094		
General revenues - interest			
Total General Revenues			
Change in Net Assets			
Net assets at October 1, 2006			
Net assets at September 30, 2007			
The accompanying notes are an integral part of the financial statements.			

OF ACTIVITIES

DEVELOPMENT REGION COMMISSION

September 30, 2007

<u>Net (Expense) Revenue and</u> <u>Changes in Net Assets</u> <u>Primary Government</u>			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (42,900)		\$ (42,900)	
\$ (42,900)		\$ (42,900)	
	\$ 0	\$ 0	
\$ 0	\$ 0	\$ 0	
\$ (42,900)	\$ 0	\$ (42,900)	
			\$ (4,094)
\$ 4,222		\$ 4,222	\$ 2,394
\$ 4,222	\$ 0	\$ 4,222	\$ 2,394
\$ (38,678)	\$ 0	\$ (38,678)	\$ (1,700)
490,775	5,860	496,635	140,752
\$ 452,097	\$ 5,860	\$ 457,957	\$ 139,052

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS

WESTERN UPPER PENINSULA PLANNING
AND DEVELOPMENT REGION COMMISSION

September 30, 2007

	General	USDC Economic Development 2007	MDOT Access Management 2006-07	Calumet Township Housing 2005-07	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 31,478					\$ 31,478
Investments	71,661					71,661
Receivables:						
Grants	32,991	\$ 10,456	\$ 26,172	\$ 46,608	\$ 103,097	219,324
Other	9,674				2,634	12,308
Due from other funds	284,227					284,227
Prepaid expenses	<u>14,766</u>					<u>14,766</u>
	<u>\$ 444,797</u>	<u>\$ 10,456</u>	<u>\$ 26,172</u>	<u>\$ 46,608</u>	<u>\$ 105,731</u>	<u>\$ 633,764</u>
LIABILITIES AND FUND BALANCE						
Accounts payable			\$ 13,193		\$ 8,336	\$ 21,529
Accrued payroll and taxes		\$ 1,521		\$ 189	7,312	9,022
Due other funds		8,935	12,979	46,419	88,562	156,895
Deferred revenues					<u>1,521</u>	<u>1,521</u>
	\$ 0	\$ 10,456	\$ 26,172	\$ 46,608	\$ 105,731	\$ 188,967
Fund balance:						
Reserved for prepaid expenses	\$ 14,766					\$ 14,766
Unreserved	<u>430,031</u>					<u>430,031</u>
	<u>\$ 444,797</u>					<u>\$ 444,797</u>
	<u>\$ 444,797</u>	<u>\$ 10,456</u>	<u>\$ 26,172</u>	<u>\$ 46,608</u>	<u>\$ 105,731</u>	<u>\$ 633,764</u>

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

WESTERN UPPER PENINSULA PLANNING
AND DEVELOPMENT REGION COMMISSION

September 30, 2007

Fund balances - total governmental funds	\$ 444,797
Amounts reported for governmental activities in the statement of net assets are different because:	
Internal Service Fund net assets are presented in the Statement of Net Assets as a governmental activity, but are not included in the Combined Balance Sheet for Governmental Funds.	<u>7,300</u>
Net assets of governmental activities	<u>\$ 452,097</u>

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

WESTERN UPPER PENINSULA PLANNING
AND DEVELOPMENT REGION COMMISSION

Year ended September 30, 2007

	General	USDC Economic Development 2007	MDOT Access Management 2006-07	Calumet Township Housing 2005-07	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
State grants			\$ 16,800		\$ 144,853	\$ 161,653
Federal grants		\$ 52,177	67,200		68,768	188,145
Contributions from local units	\$ 54,801					54,801
Interest	4,222					4,222
Other revenues			1,985	\$ 27,273	103,424	132,682
Total Revenues	\$ 59,023	\$ 52,177	\$ 85,985	\$ 27,273	\$ 317,045	\$ 541,503
Expenditures:						
Current:						
Salaries		\$ 40,557	\$ 15,039	\$ 11,703	\$ 144,131	\$ 211,430
Employee benefits	\$ 47,685	26,783	12,097	8,584	104,922	200,071
Travel		1,679	104	109	8,730	10,622
Other	5	6	55,021	3,453	36,531	95,016
Dues, fees and conferences		324		10	1,031	1,365
Indirect costs		12,373	3,724	3,414	42,166	61,677
Total Expenditures	\$ 47,690	\$ 81,722	\$ 85,985	\$ 27,273	\$ 337,511	\$ 580,181
Excess (Deficiency) of Revenues Over Expenditures	\$ 11,333	\$ (29,545)	\$ 0	\$ 0	\$ (20,466)	\$ (38,678)
Other financing sources (uses) - Operating transfers in (out)	(50,011)	29,545			20,466	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ (38,678)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (38,678)
Fund balance at October 1, 2006	483,475	0	0	0	0	483,475
FUND BALANCE AT SEPTEMBER 30, 2007	\$444,797	\$ 0	\$ 0	\$ 0	\$ 0	\$ 444,797

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES

WESTERN UPPER PENINSULA PLANNING
AND DEVELOPMENT REGION COMMISSION

Year ended September 30, 2007

Net change in fund balance - total governmental funds	<u>\$ (38,678)</u>
Change in net assets of governmental activities	<u>\$ (38,678)</u>

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
 WESTERN UPPER PENINSULA PLANNING AND DEVELOPMENT REGION COMMISSION
 September 30, 2007

	Business-Type Activities Enterprise Fund Technical Assistance	Indirect	Governmental Activities Internal Service Funds Housekeeping	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash		\$ 50		\$ 50
Grants receivable	\$ 12,124			
Due from other funds			\$ 15,215	15,215
Prepaid expenses		1,063	414	1,477
Total Current Assets	\$ 12,124	\$ 1,113	\$ 15,629	\$ 16,742
Capital Assets:				
Capital assets		\$ 178,403		\$ 178,403
Less allowances for depreciation		(32,152)		(32,152)
Total Noncurrent Assets		\$ 146,251		\$ 146,251
Total Assets	<u>\$ 12,124</u>	<u>\$ 147,364</u>	<u>\$ 15,629</u>	<u>\$ 162,993</u>
LIABILITIES				
Current Liabilities:				
Accounts payable		\$ 2,918		\$ 2,918
Accrued payroll and taxes	\$ 863		\$ 3,856	3,856
Accrued vacation benefits			11,773	11,773
Due to other funds	5,401	137,146		137,146
Total Liabilities	\$ 6,264	\$ 140,064	\$ 15,629	\$ 155,693
NET ASSETS				
Net Assets:				
Invested in capital assets		\$ 146,251		\$ 146,251
Unrestricted (deficit)	<u>\$ 5,860</u>	<u>(138,951)</u>		<u>(138,951)</u>
Total Net Assets	<u>\$ 5,860</u>	<u>\$ 7,300</u>	<u>\$ 0</u>	<u>\$ 7,300</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
WESTERN UPPER PENINSULA PLANNING AND DEVELOPMENT REGION COMMISSION
Year ended September 30, 2007

	Business-Type Activities Enterprise Fund Technical Assistance		Governmental Activities Internal Service Funds		Total Internal Service Funds
Operating revenues:					
Charges for service	\$ 89,905	\$ 75,895	\$ 194,630	\$	270,525
Operating expenses:					
Salaries	\$ 43,938	\$ 12,218		\$	12,218
Employee benefits:					
Allocated	31,162	8,950			8,950
Sick leave			\$ 14,426		14,426
Vacation leave			28,453		28,453
Holiday pay			14,030		14,030
Pension expense			29,585		29,585
Health insurance			80,851		80,851
Workers compensation			993		993
Payroll taxes			26,292		26,292
Travel	1,247	5,153			5,153
Utilities (net of rent income)		903			903
Other	22	1,500			1,500
Supplies		9,631			9,631
Professional fees		5,500			5,500
Postage		3,607			3,607
Telephone		7,148			7,148
Insurance		1,020			1,020
Depreciation		8,177			8,177
Repairs and maintenance		9,570			9,570
Dues, fees and conferences	250	2,518			2,518
Indirect costs	<u>13,286</u>				
	<u>\$ 89,905</u>	<u>\$ 75,895</u>	<u>\$ 194,630</u>	<u>\$</u>	<u>270,525</u>
Change in Net Assets	\$ 0	\$ 0	\$ 0	\$	0
Net assets at October 1, 2006	<u>5,860</u>	<u>7,300</u>			<u>7,300</u>
NET ASSETS AT SEPTEMBER 30, 2007	<u>\$ 5,860</u>	<u>\$ 7,300</u>	<u>\$ 0</u>	<u>\$</u>	<u>7,300</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

WESTERN UPPER PENINSULA PLANNING AND DEVELOPMENT REGION COMMISSION

Year ended September 30, 2007

	Business-Type Activities Enterprise Fund Technical Assistance		Governmental Activities Internal Service Funds		Total Internal Service Funds
		Indirect	Housekeeping		
Reconciliation of change in net assets to net cash provided by (used in) operating activities:					
Change in net assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation		\$ 8,177		\$ 8,177	
(Increase) decrease in current assets:					
Grants receivable	\$ (4,161)				
Due from other funds	2,521		\$ (6,586)		(6,586)
Increase (decrease) in liabilities:					
Trade accounts payable	(3,286)	2,486			2,486
Accrued payroll and taxes	(475)	(224)	2,568		2,344
Due to other funds	5,401	(4,564)			(4,564)
Accrued vacation benefits			755		755
Total adjustments	\$ 0	\$ 5,875	\$ (3,263)	\$ 2,612	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 0	\$ 5,875	\$ (3,263)	\$ 2,612	
Cash flows from capital and related financing activities -					
Acquisition of equipment		\$ (5,875)		\$ (5,875)	
Net Increase (Decrease) in Cash	\$ 0	\$ 0	\$ (3,263)	\$ (3,263)	
Cash at October 1, 2006		50	3,263	3,313	
CASH AT SEPTEMBER 30, 2007	\$ 0	\$ 50	\$ 0	\$ 50	

The accompanying notes are an integral part of the financial statements.

NOTES TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS

WESTERN UPPER PENINSULA PLANNING AND DEVELOPMENT REGION COMMISSION

September 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Western Upper Peninsula Planning and Development Region Commission (Commission) was formed under the provisions of Public Act 281 of 1945, as amended, of the State of Michigan. The Commission was organized in 1968 and serves the area including the Counties of Baraga, Gogebic, Houghton, Iron, Keweenaw and Ontonagon with the main office in the Houghton, Michigan. The Commission operates under an appointed Board of Commissioners. The Commission's general purpose is to carry on a continuing process of area self-analysis, planning and action to create new economic activity and improve community facilities and service. The Commission also serves as a principal coordinator of various activities in the counties designed to stimulate new private and public investments and provide permanent employment and growth opportunities in the area. The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Commission's accounting policies are described below.

Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Western Upper Peninsula Planning and Development Region Commission (the primary unit) and its component unit, the Superior Revolving Loan Fund Administration Board, Inc. (SRLF). The component unit discussed below is included in the Commission's reporting entity because of the significance of its operational or financial relationships with the Commission.

The SRLF is included in the Western Upper Peninsula Planning and Development Region's reporting entity because of the significance of operational and financial relationships it has with the Planning and Development Region. The members of the SRLF board are appointed by the Western Upper Peninsula Planning and Development Region Commission and the Commission has been designated as co-grantee for the SRLF's Economic Development Administration Grant, making the Commission financially responsible for SRLF activities. Separate financial statements for the SRLF may be obtained by contacting the Commission.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Commission. The activities of the Commission are considered to be governmental activities or business-type activities. Interfund activity including operating transfers between activities and amounts due to and from activities has been eliminated in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental and business-type activities are provided. The various fund types are grouped in the financial statements as major or nonmajor funds. The Commission reports the following major funds:

General Fund – the general operating fund of the Commission. This fund is used to account for all financial resources except those required to be accounted for in another fund.

USDC Economic Development 2007 grant, a Special Revenue Fund – used to account for the financial transactions of the grant.

MDOT Access Management 2006-07 grant, a Special Revenue Fund – used to account for the financial transactions of the grant.

Calumet Township Housing 2005-07 grant, a Special Revenue Fund – used to account for the financial transactions of the housing grant.

Technical Assistance fund, an Enterprise Fund – used to account for the financial transactions of the Technical Assistance fund.

Internal Service Funds – used to account for the financial transactions of the Commission's allocation of indirect costs and fringe benefits.

All other funds are considered to be nonmajor. They include all other Special Revenue Funds that are used to account for individual grant activity.

Basis of Accounting

Government-Wide Financial Statements

The Government-wide financial statements report all financial and capital assets, liabilities, revenues, expenses and gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities reports net cost information based on the Commission's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. The Commission has one function, which is the administration of grants, and its program revenues are generated from operating grants that are restricted for certain purposes and charges for services that are fees to local governmental units for the Commission's services. Internal Service Fund charges to other funds and expenses paid are eliminated from the Statement of Activities.

Fund-based Financial Statements

Governmental fund types are accounted for using the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current fund liabilities. The Commission considers revenues to be available if collected within 60 days of the end of the period. Expenditure-based grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources.

Proprietary fund types and Internal Service Funds use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises. Revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the Commission applies (a) all GASB pronouncements and (b) all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Granting of Credit

The Commission grants credit to the State of Michigan and various local units of government in the Western Upper Peninsula of Michigan.

Cash and Cash Equivalents

A common cash account is used to record all funds cash transactions for the Commission using interfund balancing accounts. For purposes of the Statement of Cash Flows, cash includes all cash with an original maturity of three months or less. The Commission held no cash equivalents at year-end.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair market value and include certificates of deposit.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid expenses

Prepaid expenses are cash payments made by the Commission for expenses that will be incurred and recognized in future periods.

Due To and From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. In the Statement of Net Assets, interfund receivables and payables between funds classified as governmental activities and funds classified as business-type activities have been eliminated.

Capital Assets and Depreciation

Capital assets including land, building and equipment are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an acquisition cost of more than \$500 with an estimated useful life of over one year. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The Executive Director may choose to capitalize and depreciate assets costing less than \$500 for asset tracking purposes. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded in the Government-wide Statement of Activities and also in the fund-based financial statements as indirect costs to grants in accordance with the Commission's cost allocation plan.

The capital assets are depreciated using the straight-line method over the following useful lives (land is excluded as it is not depreciable):

Buildings	39 years
Building improvements	7-15 years
Equipment	5-7 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Vacation Benefits

The liability for accrued vacation benefits is the amount of accrued benefits owed by the Commission to employees and is recorded in the government-wide statement of net assets and the Internal Service Fund as a liability.

Investment in Capital Assets

This is the portion of net assets of the Commission that consists of capital assets, net of accumulated depreciation and reduced by any long-term liabilities attributable to the acquisition of those assets is reported as investment in capital assets. The Commission has no long-term liabilities related to capital asset acquisitions at September 30, 2007.

Restricted Net Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute. The Commission had no restricted net assets at September 30, 2007.

Unrestricted Net Assets

Net assets not meeting the above criteria are considered unrestricted.

Fund Balance

In the fund-based financial statements the unreserved fund balance represent the amount available for budgeting future operations. The General fund has reserved a portion of the fund balance for prepaid expenses.

Budgets

Each grant or program administered by the Commission has its own plan, which governs the use of grant monies. An overall budget was adopted by the Commission Board and accordingly, a budgetary comparison schedule is not included as required supplemental information.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The Commission is required to adopt a budget in accordance with the requirements of the Michigan Uniform Budgeting and Accounting Act, Public Act 2 of 1968, as amended through Public Act 493 of 2000. In accordance with the Act, the following procedures should be followed:

1. Prior to October 1, the Executive Director submits to the Commission a proposed operating budget for the fiscal commencing October 1. The operating budget includes proposed expenditures and the means to finance them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted at a regular meeting by Board approval.
4. Any revisions to the budgeted amounts must be approved by the Board.
5. The budget is adopted on the basis consistent with generally accepted accounting principles. The budget lapses at the end of the year.
6. Budgeted amounts are as originally adopted, or as amended, by the Board prior to September 30, 2007.

The Commission did not adopt a budget in accordance with the Act.

Public Act 275 of 1980 Disclosure

The Commission did not have any funds with a net asset deficiency at September 30, 2007. The Internal Service Fund had an unrestricted deficit of \$138,951 at September 30, 2007. That fund also had net assets invested in capital assets of \$146,251 at September 30, 2007.

NOTE C – CASH AND INVESTMENT INFORMATION

Cash

Cash on deposit in commercial banks of the primary government at September 30, 2007 totaled \$53,539, were insured by the Federal Deposit Insurance Corporation, and were made in accordance with State of Michigan statutes. Cash on deposit of the SRLF, a component unit, totaled \$118,789 at September 30, 2007, and was insured by the Federal Deposit Insurance Corporation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C – CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Commission's investing activities are managed under the custody of the Commission. State of Michigan statutes authorize investments in: direct obligations of the United States or an agency of the United States; banks which are members of the Federal Deposit Insurance Corporation; commercial paper rated at the time of purchase within the three highest classifications established by no fewer than two standard rating services; United States government or agency obligation repurchase agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All investments were made in accordance with State of Michigan statutes and under authorization of the Commission. Investments are stated at fair market value.

For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities in the possession of an outside party. All of the Commission's investments are certificates of deposit and totaled \$71,661 at September 30, 2007, are insured by the Federal Deposit Insurance Corporation, and were made in accordance with State of Michigan statutes.

NOTE D - CHANGES IN CAPITAL ASSETS

Changes in capital asset balances for the year ended September 30, 2007, were as follows:

	Balance at October 1, <u>2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2007</u>
Land	\$ 13,500			\$ 13,500
Building and improvements	137,793			137,793
Equipment	<u>100,914</u>	\$ <u>5,875</u>	\$ <u>79,679</u>	<u>27,110</u>
	\$ 252,207	\$ 5,875	\$ 79,679	\$ 178,403
Less accumulated depreciation	<u>(103,654)</u>	<u>(8,177)</u>	<u>(79,679)</u>	<u>(32,152)</u>
	<u>\$ 148,553</u>	<u>\$ (2,302)</u>	<u>\$ 0</u>	<u>\$ 146,251</u>

All depreciation expense was allocated to funds in accordance with the Commission's cost allocation plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Effective June 1, 2005, substantially all of the Commission's employees are eligible to participate in the statewide Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer, cost-sharing public employee retirement system. The MERS plan is administered by a nine-member board and provides retirement benefits and postretirement benefits for health, dental and vision. The MERS was established by Public Act 135 of 1945 and operated under the provisions of Public Act 220 of 1996, as amended. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Plan members make no annual contributions. Members made contributions upon entering the MERS plan effective June 1, 2005. If a member leaves MERS service and no pension is payable, the member's accumulated contribution plus interest, if any, is refundable.

The Commission is required to contribute the full actuarial funding contribution amount to fund pension benefits. The rate for the year ended September 30, 2007, was 9.03% and has been this rate since inception of the plan. The contribution requirements of the Commission are established and may be amended by the MERS Board of Trustees. The District's contributions to MERS for the years ended September 30, 2007 and 2006, were \$29,585 and \$45,142, respectively, which is equal to the required contribution for the years.

NOTE F - OPERATING LEASES

The Commission leases a copy machine. The rent expense for the year-end September 30, 2007 totaled \$3,060. The lease was a 60-month lease commencing June 17, 2003. Future lease payments related to this lease total \$2,295.

The Commission leases portions of building space to various other agencies on an annual basis with total rent income of \$11,700 recorded for the year ended September 30, 2007. Future rent income to be received associated with any of the lease totals \$6,200

NOTE G - DEFERRED COMPENSATION PLANS

Commission employees are eligible to participate in a deferred compensation plan in addition to the normal retirement plan discussed in Note E above. The Plan was created in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the Plan and all income attributable to those amounts are, until paid or made available to the employee or other beneficiary, to be held in a trust for the exclusive benefit of plan participants and their beneficiaries.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - DEFERRED COMPENSATION PLANS (CONTINUED)

Investments are managed by the Plans' trustees under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants. The Commission has no fiduciary responsibility regarding this Plan and, accordingly, has not reflected any of its assets or activities in its financial statements.

NOTE H – OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note E, the Commission contributes \$500 annually per employee with at least one year of service to an employee Post Employment Health Plan Fund. Funding is approved annually by the Commissioners and is expensed on a pay-as-you-go basis. The fund allows employees after termination or retirement, access to their designated funds to be used for medical expenses. Employees may also elect upon retirement to remain covered by the Commission's group insurance program with the employee contributing 100% of the cost to maintain coverage.

NOTE I - INTERFUND RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as "due to/from other funds" include interfund activity due to the use of a common cash account, outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds".

Any residual balances outstanding between the governmental activities and proprietary activities are reported in the government-wide financial statements as "internal balances".

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The amounts of interfund receivables and payables at September 30, 2007, were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General	\$ 299,442	Internal service - Indirect Technical Assistance	\$ 137,146 5,401
		Special Revenue Funds:	
		USDC Economic Development - 2007	8,935
		MDOT Access Management 2006-07	12,979
		Calumet Township Housing 2005-07	46,419
	<u> </u>	Nonmajor Funds	<u>88,562</u>
	\$ 299,442		\$ 299,442
Internal Service - Housekeeping	<u>15,215</u>	General Fund	<u>15,215</u>
	<u>\$ 314,657</u>		<u>\$ 314,657</u>

The General Fund amounts net to \$284,227 on the fund-based financial statements.

NOTE J - INTERFUND TRANSFERS

During the year ended September 30, 2007, the General Fund transferred \$29,545 to the USDC Economic Development 2007 Special Revenue fund and \$20,466 to nonmajor governmental funds for the local match requirements for various grants.

NOTE K - RISK MANAGEMENT

The Commission is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has obtained coverage from commercial insurance companies.

All risk management activities are accounted for in the General Fund of the Commission. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - RISK MANAGEMENT (CONTINUED)

Management estimates that the amount of actual or potential claims against the Commission as of September 30, 2007, will not materially affect the financial condition of the Commission. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE L – SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES

The Commission maintains one Enterprise Fund; the Technical Assistance fund. The Commission provides technical services on a fee basis to local governmental units and other organizations. All required segment information is presented in the basic financial statements for the year ended September 30, 2007.

NOTE M – ACCOUNTING CHANGE

Effective October 1, 2006, the Commission implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB No. 34). Significant changes to the Commission's financial statements as a result of GASB No. 34 are as follows:

Government-wide financial statements – Statement of Net Assets and Statement of Activities are prepared using the full accrual basis of accounting that includes all of the Commission's activities.

Capital assets – recorded in the statement of net assets at September 30, 2007 are \$178,403 of capital assets and \$32,152 of accumulated depreciation on those assets. The September 30, 2006 financial statements reported \$21,199 of fixed assets in the General Fixed Asset Account Group (GFAAG) that has been eliminated for reporting purposes. September 30, 2006 financial statements also reported \$252,207 of fixed assets in the Internal Service Fund with corresponding accumulated depreciation of \$103,654. An updated inventory of fixed assets was completed and resulted in a decrease of \$21,199 in the historical cost of assets as of October 1, 2006.

Major and Nonmajor funds – fund-based financial statements focus on major funds rather than fund-types. Major funds are determined based on the comparison of activity of individual governmental funds to total governmental fund activity. The Commission has six major funds to report for the year ended September 30, 2007, as noted in Note A.

The Commission did not include Management's Discussion and Analysis and budgetary comparison information as supplementary information as required by GASB No. 34.

OTHER
FINANCIAL
INFORMATION

COMBINING BALANCE SHEET -
WESTERN UPPER PENINSULA PLANNING AND

September 30,

	Special Revenue Funds			
	MSHDA Voucher Program 2006-07	MDOT Brockway Mountain Drive 2006-07	USDA RBEG * Multi-use Trail 2006-07	MDOT Corridor 2006-07
ASSETS				
Receivables:				
Grants	\$ 7,791	\$ 964	\$ 1,616	\$ 12,168
Other				
	<u>\$ 7,791</u>	<u>\$ 964</u>	<u>\$ 1,616</u>	<u>\$ 12,168</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable				
Accrued payroll and taxes	\$ 1,360			\$ 239
Due other funds	6,431	\$ 964	\$ 1,616	11,929
Deferred revenues				
	<u>\$ 7,791</u>	<u>\$ 964</u>	<u>\$ 1,616</u>	<u>\$ 12,168</u>
Fund balance				
	<u>\$ 7,791</u>	<u>\$ 964</u>	<u>\$ 1,616</u>	<u>\$ 12,168</u>

* RBEG - Rural Business Enterprise Grant

The accompanying notes are an integral part of the
financial statements.

NONMAJOR GOVERNMENTAL FUNDS

DEVELOPMENT REGION COMMISSION

2007

Special Revenue Funds					
MDOT Iron Co. Heritage Trail	Baraga Co. Housing 2005-06	Ontonagon County Housing 2005-06	MDOT Asset Management 2006-07	Houghton County Housing 2005-06	Superior Revolving Loan Fund
\$ 2,022	\$ 285		\$ 18,685		\$ 2,108
<u>\$ 2,022</u>	<u>\$ 285</u>	<u>\$ 0</u>	<u>\$ 18,685</u>	<u>\$ 0</u>	<u>\$ 2,108</u>
\$ 221			\$ 8,336		
1,801	\$ 285		2,048		\$ 241
			8,301		451
					<u>1,416</u>
\$ 2,022	\$ 285		\$ 18,685		\$ 2,108
<u>\$ 2,022</u>	<u>\$ 285</u>	<u>\$ 0</u>	<u>\$ 18,685</u>	<u>\$ 0</u>	<u>\$ 2,108</u>

COMBINING BALANCE SHEET -
WESTERN UPPER PENINSULA PLANNING AND

September 30,

	Special Revenue Funds			
	USDC Economic Development 2006	MDOT Asset Management 2005-06	MDOT Roadside Parks 2006-07	North Country Ren Zone
ASSETS				
Receivables:				
Grants			\$ 1,713	
Other				\$ 241
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,713</u>	<u>\$ 241</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accrued payroll and taxes			\$ 184	\$ 136
Due other funds			1,529	
Deferred revenues				105
			\$ 1,713	\$ 241
Fund balance				
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,713</u>	<u>\$ 241</u>

The accompanying notes are an integral part of the financial statements.

NONMAJOR GOVERNMENTAL FUNDS

DEVELOPMENT REGION COMMISSION

2007

Special Revenue Funds				
Baraga Co. Housing 2007-08	Houghton County Housing 2007-08	Keweenaw County Housing 2007-08	Ontonagon County Housing 2007-08	MEDC Technical Assistance 2006

\$ 6,880	\$ 9,733	\$ 7,624	\$ 8,426	
<u>\$ 6,880</u>	<u>\$ 9,733</u>	<u>\$ 7,624</u>	<u>\$ 8,426</u>	<u>\$ 0</u>

\$ 575	\$ 735	\$ 488	\$ 522	
6,305	8,998	7,136	7,904	
<u>\$ 6,880</u>	<u>\$ 9,733</u>	<u>\$ 7,624</u>	<u>\$ 8,426</u>	<u>\$ 0</u>

COMBINING BALANCE SHEET -
WESTERN UPPER PENINSULA PLANNING AND

September 30,

	Special Revenue Funds		
	USGS National Mapping 2007-08	Ontonagon Village Rental 2006-07	MDOT Copper Country Trail 2006-07
ASSETS			
Receivables:			
Grants	\$ 7,334	\$ 6,603	\$ 0
Other			
	<u>\$ 7,334</u>	<u>\$ 6,603</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable			
Accrued payroll and taxes			
Due other funds	\$ 7,334	\$ 6,603	
Deferred revenues			
	<u>\$ 7,334</u>	<u>\$ 6,603</u>	
Fund balance			
	<u>\$ 7,334</u>	<u>\$ 6,603</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

NONMAJOR GOVERNMENTAL FUNDS
DEVELOPMENT REGION COMMISSION
2007

<u>Special Revenue Funds</u>		
MDOT 2006-07	MEDC 2007	Totals
\$ 4,146	\$ 7,392	\$ 103,097
		<u>2,634</u>
\$ 4,146	\$ 7,392	\$ 105,731
		\$ 8,336
	\$ 563	7,312
\$ 4,146	6,829	88,562
		<u>1,521</u>
\$ 4,146	\$ 7,392	\$ 105,731
		<u>0</u>
<u>\$ 4,146</u>	<u>\$ 7,392</u>	<u>\$ 105,731</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND

WESTERN UPPER PENINSULA PLANNING AND

Year ended

	Special Revenue Funds			
	MSHDA Voucher Program 2006-07	MDOT Brockway Mountain Drive 2006-07	USDA RBEG Multi-use Trail 2006-07	MDOT Corridor 2006-07
Revenues:				
State grants	\$ 42,869	\$ 964		\$ 5,419
Federal grants			\$ 16,751	21,676
Other revenues			6,000	414
Total Revenues	\$ 42,869	\$ 964	\$ 22,751	\$ 27,509
Expenditures:				
Current:				
Salaries	\$ 20,609	\$ 479	\$ 12,033	\$ 12,675
Employee benefits	14,339	356	8,705	9,015
Travel	1,651		62	350
Other				2,013
Dues, fees and conferences	150			
Indirect costs	6,120	129	3,416	3,456
Total Expenditures	\$ 42,869	\$ 964	\$ 24,216	\$ 27,509
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ (1,465)	\$ 0
Other financing sources - Operating transfers in			1,465	
Excess of Revenues and Other Financing Sources Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance at October 1, 2006	0	0	0	0
FUND BALANCE AT SEPTEMBER 30, 2007	\$ 0	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of the
financial statements.

CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

DEVELOPMENT REGION COMMISSION

September 30, 2007

Special Revenue Funds					
MDOT Iron Co. Heritage Trail	Baraga Co. Housing 2005-06	Ontonagon County Housing 2005-06	MDOT Asset Management 2006-07	Houghton County Housing 2005-06	Superior Revolving Loan Fund
\$ 30,118					
\$ 14,960	\$ 5,567	\$ 8,598		\$ 5,771	\$ 2,108
\$ 14,960	\$ 5,567	\$ 8,598	\$ 30,118	\$ 5,771	\$ 2,108
\$ 7,140	\$ 2,127	\$ 3,319	\$ 6,705	\$ 2,521	\$ 954
5,116	1,541	2,558	4,660	1,939	677
606	224	175	1,158	176	182
	1,076	1,642	15,263	428	
	12	13	428	13	
2,098	587	891	1,904	694	295
\$ 14,960	\$ 5,567	\$ 8,598	\$ 30,118	\$ 5,771	\$ 2,108
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND

WESTERN UPPER PENINSULA PLANNING AND

Year ended

	Special Revenue Funds			
	USDC Economic Development 2006	MDOT Asset Management 2005-06	MDOT Roadside Parks 2006-07	North Country Ren Zone
Revenues:				
State grants			\$ 343	
Federal grants	\$ 6,676		1,371	
Other revenues		\$ 529		\$ 2,881
Total Revenues	\$ 6,676	\$ 529	\$ 1,714	\$ 2,881
Expenditures:				
Current:				
Salaries	\$ 9,416		\$ 875	\$ 584
Employee benefits	8,751		579	368
Travel	1,172		58	58
Other	6	\$ 529		1,679
Dues, fees and conferences				
Indirect costs	2,582		202	192
Total Expenditures	\$ 21,927	\$ 529	\$ 1,714	\$ 2,881
Excess (Deficiency) of Revenues Over Expenditures	\$ (15,251)	\$ 0	\$ 0	\$ 0
Other financing sources - Operating transfers in	15,251			
Excess of Revenues and Other Financing Sources Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance at October 1, 2006	0	0	0	0
FUND BALANCE AT SEPTEMBER 30, 2007	\$ 0	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of the
financial statements.

CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

DEVELOPMENT REGION COMMISSION

September 30, 2007

Baraga Co. Housing 2007-08	Special Revenue Funds				MEDC Technical Assistance 2006
	Houghton County Housing 2007-08	Keweenaw County Housing 2007-08	Ontonagon County Housing 2007-08		
				\$	6,038
<u>\$ 6,880</u>	<u>\$ 9,733</u>	<u>\$ 7,624</u>	<u>\$ 8,426</u>		<u>693</u>
\$ 6,880	\$ 9,733	\$ 7,624	\$ 8,426	\$	6,731
 \$ 3,273	 \$ 4,564	 \$ 3,385	 \$ 3,883	 \$	 3,011
2,259	3,179	2,344	2,689		2,760
26	26	26	26		164
303	532	848	621		
<u>1,019</u>	<u>1,432</u>	<u>1,021</u>	<u>1,207</u>		<u>796</u>
\$ 6,880	\$ 9,733	\$ 7,624	\$ 8,426	\$	6,731
 \$ 0	 \$ 0	 \$ 0	 \$ 0	 \$	 0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$</u>	<u>0</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND

WESTERN UPPER PENINSULA PLANNING AND

Year ended

	Special Revenue Funds			
	USGS National Mapping 2007-08	Ontonagon Village Rental 2006-07	MDOT Copper Country Trail 2006-07	MDOT 2006-07
Revenues:				
State grants				\$ 38,000
Federal grants	\$ 7,334			
Other revenues		\$ 27,872	\$ 9,303	1,025
Total Revenues	\$ 7,334	\$ 27,872	\$ 9,303	\$ 39,025
Expenditures:				
Current:				
Salaries	\$ 3,299	\$ 11,140	\$ 2,801	\$ 18,886
Employee benefits	2,242	8,245	2,013	13,525
Travel	150		1,396	680
Other	4,564	5,155	1,872	
Dues, fees and conferences			390	
Indirect costs	829	3,332	831	5,934
Total Expenditures	\$ 11,084	\$ 27,872	\$ 9,303	\$ 39,025
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,750)	\$ 0	\$ 0	\$ 0
Other financing sources - Operating transfers in	3,750			
Excess of Revenues and Other Financing Sources Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance at October 1, 2006	0	0	0	0
FUND BALANCE AT SEPTEMBER 30, 2007	\$ 0	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.

CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

DEVELOPMENT REGION COMMISSION

September 30, 2007

<u>Special Revenue Funds</u>	
MEDC 2007	Totals
\$ 21,102	\$ 144,853
	68,768
	<u>103,424</u>
\$ 21,102	\$ 317,045
\$ 10,452	\$ 144,131
7,062	104,922
364	8,730
	36,531
25	1,031
<u>3,199</u>	<u>42,166</u>
<u>\$ 21,102</u>	<u>\$ 337,511</u>
\$ 0	\$ (20,466)
	<u>20,466</u>
\$ 0	\$ 0
<u>0</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 0</u>

SUPPLEMENTAL
REPORTS

JOKI, MAKELA & POLLACK, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board
Western Upper Peninsula Planning and
Development Region Commission
Houghton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Western Upper Peninsula Planning and Development Region Commission, as of and for the year ended September 30, 2007, and have issued our report thereon dated January 31, 2008. The Commission has implemented a new financial reporting model, as required by the provisions of GASB Statements No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments as of September 30, 2007. The Commission has not included management's discussion and analysis and budgetary comparison information which is supplementary information required by accounting principles generally accepted in the United States of America. We did not audit the financial statements of the Superior Revolving Loan Fund, a component unit of the Commission. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included in the discretely presented component unit, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and with the standards prescribed by the State Treasurer.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Western Upper Peninsula Planning and Development Region Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Upper Peninsula Planning and Development Region Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Western Upper Peninsula Planning and Development Region Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Western Upper Peninsula Planning and Development Region Commission's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Western Upper Peninsula Planning and Development Region Commission's financial statements that is more than inconsequential will not be prevented or detected by Western Upper Peninsula Planning and Development Region Commission's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2 and 07-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Western Upper Peninsula Planning and Development Region Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies described in the Schedule of Findings we consider none of them to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Upper Peninsula Planning and Development Region Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Western Upper Peninsula Planning and Development Region Commission's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit Western Upper Peninsula Planning and Development Region Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Commission, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
January 31, 2008

SCHEDULE OF FINDINGS
WESTERN UPPER PENINSULA PLANNING AND
DEVELOPMENT REGION COMMISSION

Year ended September 30, 2007

SIGNIFICANT DEFICIENCIES

(07-1) State of Michigan Public Act 621 of 1978 Budget Requirements

Public Act 621 of 1978, as amended, provides that a governmental unit prepare and monitor their fiscal year budgets in accordance with the Act. The Commission does not adopt and monitor a budget for the General Fund and Special Revenue Funds in accordance with the Act.

The Board adopts and monitors budgets on a grant basis which often do not coincide with the Commission's fiscal year. The Commission will continue to monitor budgets accordingly.

(07-2) Ability to Prepare Financial Statements and Related Note Disclosures

Like entities of similar size, limited financial summaries and abbreviated financial statements are made available to the Executive Director and Members of the Commission. The Commission relies on its auditors to draft the financial statements and related note disclosures in accordance with generally accepted accounting principles. The Executive Director and Members of the Commission review and accept the financial statements on behalf of the Commission. The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Commission should remain involved in the financial reporting process to provide an oversight and independent review functions.

The Commission agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

(07-3) Adjusting Journal Entries and General Ledger Maintenance

An accounting system should generate accurate and timely financial information in an efficient and effective manner to enable management to make informed and timely decisions involving operations of their entity. To accomplish this, the system must be designed to discover any accounting errors within a reasonable period of time.

Before we could complete our audit, significant adjustments had to be made to the accounting records generated by the Commission's accounting system. This included adjusting funds that were out of balance. These adjustments indicate an existence of system or performance errors.

We recommend that the Commission make appropriate adjustments to ensure the general ledger accounting system is monitored. Commission management concurs.